

Regional Goods Movement Study for the San Francisco Bay Area

Land Use in Support of Goods Movement

presented by
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- Genesis and general findings of study documented in your memo and attached report summary
- Wanted to give a very brief overview of some of these findings, then turn over to Linda Hausrath, Huasrath Economics, one of the studies consultants, to talk in more detail about goods movement and land use issues

Study Overview

Purpose

- Help MTC determine strategic investment needs
- Understand economic and land use issues to inform decision-making
- Input to federal re-authorization and RTP

Phase 1 - Understand current trends and issues

Phase 2 - Develop Improvement strategies



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What is Goods Movement in the Bay Area?

> Local distribution and service trucking

- Almost 46% of total tons moved stay within Bay Area
- Truck-oriented
- Supports local businesses and consumer markets

> Domestic trade

- Access to national markets for local manufacturers
- Connections to major consumers goods suppliers
- Long haul network of truck, rail, and air systems



> International trade - airports and seaports

- Fastest growing - almost 50% growth from 1993 - 1999
- Largest shares - consumer imports and high-tech and food exports

- Made up of three elements:
- Local distribution – accounts for almost half of goods moved in region and done almost exclusively by truck
- Domestic trade – provides access to national markets and done by long-haul trucks, rail and air
- International – comes mostly through our seaports and airports and is the fast growing goods movement sector

Goods Movement is Critical to Bay Area Economy

> Goods movement businesses and industries relying on goods movement:

Play important role in Bay Area's economy

- Goods producing industries
- Goods movement industries

Accounts for over 10% of region's employment

Supports job diversity - good-paying, blue-collar jobs

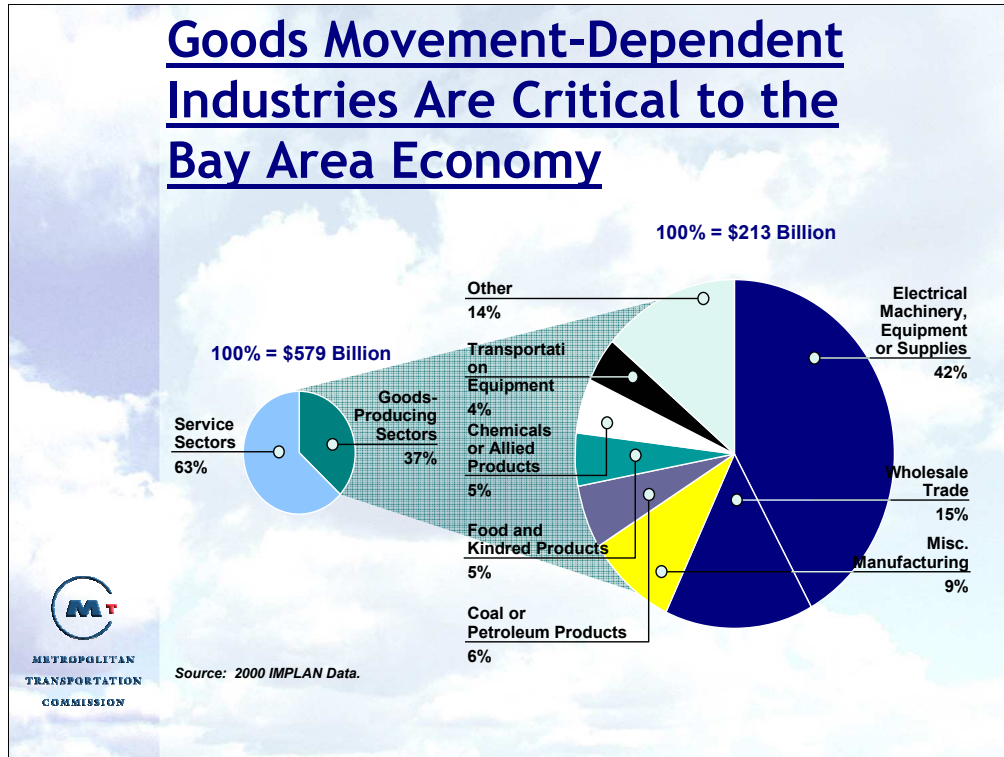


>

Efficient goods movement contributes to competitiveness of the Region

- Good movement is important element of region's economy
- Made up of two elements – goods movement producing industries and transportation industry
- Two elements account for over 10% of region's employment
- Providing for job diversity and relatively good paying blue-collar jobs

Goods Movement-Dependent Industries Are Critical to the Bay Area Economy



- Bay Area economy is dominated by service sector
- However, goods producing sector makes up nearly 40% of Bay Area economy
- Of this amount, most this remains in high tech industry

Future Goods Movement Has Implications for Land Use Planning

- > **Goods movement-oriented businesses need:**
 - Access to reasonably-priced space
 - Proximity to customers
 - Locations without undue conflicts with nearby uses
 - Access to transportation system
- > **Such locations are becoming increasingly difficult to find, due to**
 - Real estate market and growth trends
 - Land use policies and restrictions



Turn over to Linda to present main issue we want to talk to you today – implications of land use and regulatory decisions on goods movement

To put her discussion in context:

When first raised with our Commission, response was “thanks for adding an additional complexity to an already difficult issue”

Not our intent – simply want you to keep goods movement issues in mind as you further refine regional land use strategies

MAJOR BAY AREA MARKETS FOR INDUSTRIAL SPACE

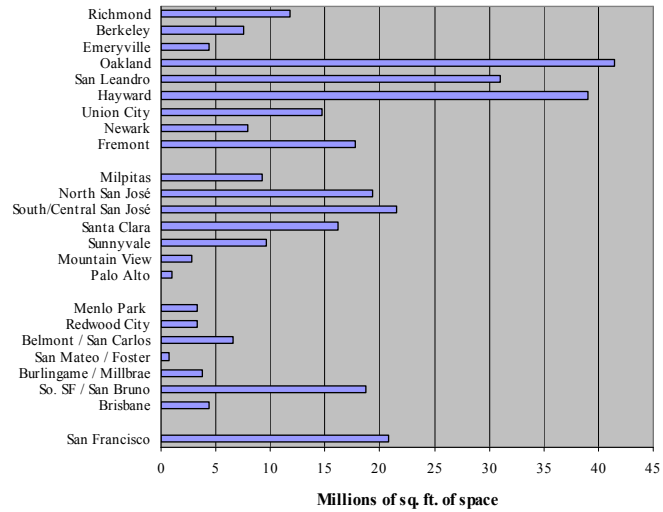
(1st Qtr. 2003)

	<u>Warehouse Space</u>		<u>Manufacturing Space</u>	
	(mil. sq. ft.)		(mil. sq. ft.)	
Inner East Bay I-80/880 Corridor	81.6	49%	94.1	63%
South Bay I-880/U.S. 101 Corridor	32.6	19%	47.1	32%
Peninsula U.S. 101 Corridor	33.9	20%	6.9	5%
San Francisco	<u>20.8</u>	<u>12%</u>	<u>-</u>	<u>-</u>
Total	168.9 mil.	100%	148.1 mil.	100%



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Warehouse and Manufacturing Space in Major Bay Area Markets: 2003



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Strong Competition for Land in Central Areas

- > Market pressures for higher-value uses in central, bayside locations
- > Increasing competition for land
- > Increasing cost and reduced availability of industrial locations
- > Increasing land use conflicts
- > Outward growth and relocation of goods movement businesses
 - San Joaquin County
 - Solano County



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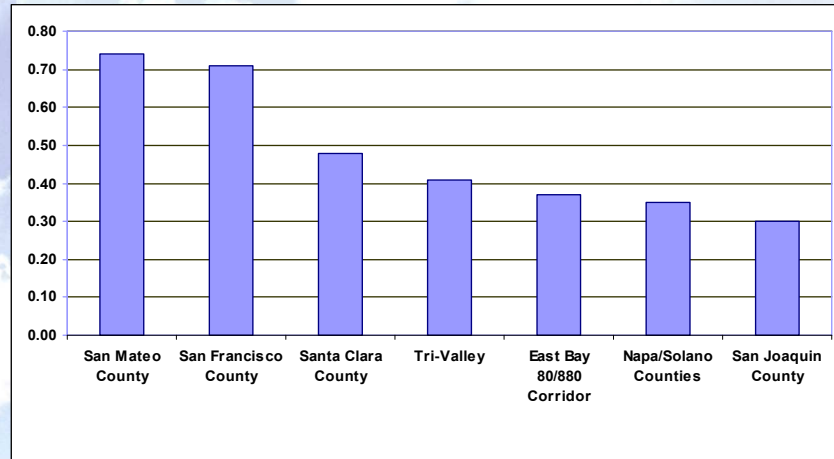
**CHANGES IN INDUSTRIAL RENTS AND VACANCY RATES
FOR MAJOR BAY AREA MARKETS, 1995-2002/03**

	<u>1995</u>	<u>1997</u>	<u>1998</u>	<u>2000</u>	<u>2002</u>	<u>2003</u>	Change <u>1995-2002</u>
<u>Rents (\$ per sq. ft. per mo.)</u>							
Warehouse	\$0.37	\$0.47	\$0.54	\$0.72	\$0.52	\$0.50	+41%
Manufacturing	0.41	0.57	0.77	1.30	0.67	0.62	+63%
<u>Vacancy Rates</u>							
Warehouse	6.8%	4.9%	3.9%	2.8%	9.1%	10.6%	
Manufacturing	5.9%	4.1%	3.1%	2.1%	6.7%	7.3%	



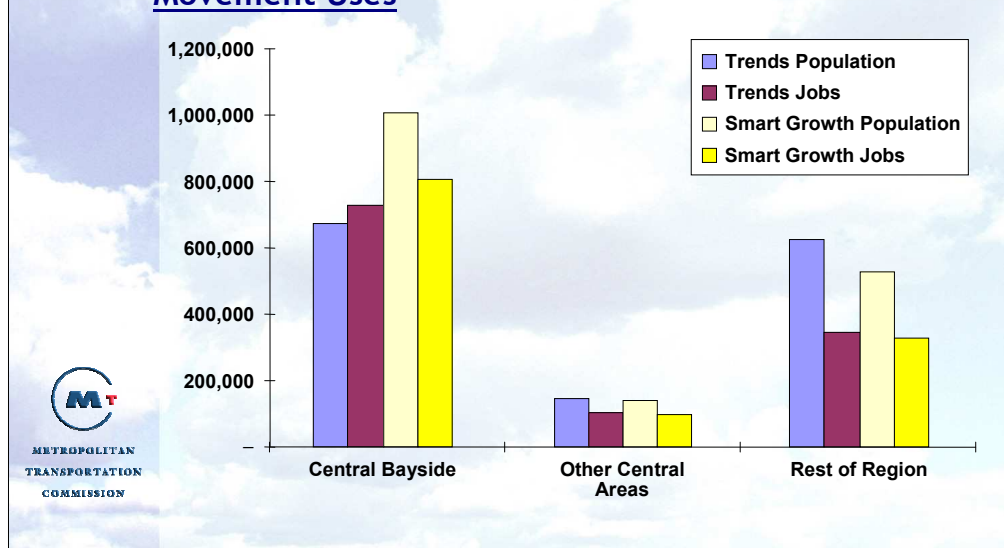
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Warehouse Space Rents, 1Q 2003 (\$ per sq. ft. per mo.)



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Most Residential and Commercial Growth is
Forecast for Central Bayside Locations –
This is the Location of Much of the Region’s Goods
Movement Uses



- Growth forecasts show further residential and commercial densification in central areas
 - Competes with existing truck intensive uses
 - Creates more congestion in intra-regional corridors
 - Smart Growth intensifies these trends
- Potential impacts on goods movement
 - Higher truck VMT on regional roads
 - Higher goods movement costs
 - Higher truck emissions

Land Use Policy Issues and Goods Movement

- > **Lack of affordable locations for industrial and truck-intensive uses**
- > **Local land use policies support higher-use values**
 - Strong incentives at local level
 - Encouraged by regional land use policy
- > **Redevelopment in central areas**
 - Occurring on large industrial sites
 - Creating greater land use conflicts
- > **Restrictive regulations limit trucking/industrial operations**
 - Truck parking
 - Truck routing
 - Hours of operation



- One of the biggest problems facing these industries is the pressure they face in real estate markets and associated land use policies.
- The highest concentration of warehouse and industrial space in the Bay Area continues to be in the central core around the 880 and 101 corridors as well as in parts of San Jose.
- Prices for this land are making it difficult to expand and property owners are looking to upgrade to higher value uses.
- Communities also have strong economic and fiscal incentives to encourage this upgrading through land use policies
- Redevelopment is putting commercial and residential uses adjacent to goods movement businesses exacerbating conflicts and creating community opposition.
- This leads to other regulations to mitigate impacts that limit trucking operations

Land Use Policy Issues and Goods Movement (cont.)

- > **Need for goods movement in inner Bay Area will continue to grow, supporting business and population growth**

Continued dispersion of goods movement businesses could lead to:

- more truck miles
- greater congestion
- air quality issues
- higher transportation costs
- Continued loss of blue-collar jobs in central areas



- > **Lack of suitable locations and land use conflicts around major airports and seaports could threaten viability of critical, regional gateway facilities**

Regional Benefits of More Efficient Freight Transportation System

- > Cumulative effects of market and regulatory pressures provide rationale for regional goods movement land use strategy
 - Balance local concerns with regional benefits
- > Goods movement/industrial component of Smart Growth Vision needs consideration
- > Some urgency as redevelopment along major transportation corridors results in permanent loss of locations for goods movement



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Guiding Principles for Land Use in Support of Goods Movement

- > Promote balance of goods movement uses in proximity to business and population centers they serve**
 - Reduce impacts of dispersed land use pattern
 - Focus on I-880 Corridor and U.S. 101
 - Preserve central location options, while making goods movement a better neighbor
 - Encourage diversity of job opportunities for central area residents



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Guiding Principles for Land Use in Support of Goods Movement

- > Retain locations for goods movement uses around major airports and seaports**
 - Region needs functional and economically viable gateways
- > Concentrate large-scale distribution and freight-intensive uses in exurban locations along inter-regional transportation corridors**
 - Coordinate land use and transportation planning
 - Promote best practices and freight villages



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Planning Strategies

Goal: Make smarter land use decisions, enhance goods movement mobility, and make goods movement a better neighbor

- > **Truck route planning** (standards, coordination, and priority funding for improvements and maintenance)
- > **Leadership needed in regional goods movement/land use planning**
 - educate local agencies on implications of land use/regulatory actions
 - inclusion in Smart Growth Vision and policies
- > **Expansion of the scope of Regional Airport and Seaport Plans to include consideration for support land uses for these important gateway facilities.**
- > **Technical/financial assistance for goods movement/land use planning**
 - Land use preservation strategies
 - Support for best practices
 - Financial incentives and assistance
 - Address community impacts



•In addition to infrastructure investments, the study suggests enhanced planning activities at the regional and local level.

•This would include:

- development of coordinated regional and sub-regional truck route planning, improvements to the MTC travel models to provide better forecast and planning tools for analyzing truck impacts of projects
- maintaining a leadership and advocacy position for freight concerns in the Smart Growth policy discussions
- providing technical and financial assistance to cities that adopt best planning and regulatory strategies to preserve efficient goods movement while mitigating community impacts.

•That concludes my presentation, my staff, our consultant and I are available to answer any questions you might have.